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Annual Report

1948

NATIONAL TOOL COMPANY

CLEVELAND, OHIO

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DIRECTORS

HARRY W. BARKLEY - - - - - - - - - - Cleveland, Ohio
President, National Tool Company

GEORGE O. DESAUTELS - - - - - - - - Indianapolis, Indiana
President, George O. Desautels Company

FRED V. GARDNER - - - - - - - - - - Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates

LEWIS F. JUBENVILLE - - - - - - - - Orchard Lake, Michigan
Vice President, National Tool Company

SAMUEL J. KORNHAUSER - - - - - - - - - Cleveland, Ohio
Counselor at Law

J. VICTOR LOEWI - - - - - - - - - - Milwaukee, Wisconsin
President, Loewi & Company

JOHN S. PEARSON - - - - - - - - - - - New York City
Dobbs & Company

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, Chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

HARRY W. BARKLEY - - - - - - - - - - Cleveland, Ohio
President and General Manager

LEWIS F. JUBENVILLE - - - - - - - - Orchard Lake, Michigan
Vice President

DAVID M. HALLIER - - - - - - - - - - Cleveland, Ohio
Vice President and Sales Manager

ARTHUR T. WEST - - - - - - - - - - - Cleveland, Ohio
Secretary and Treasurer

LEWIS M. SHAFER - - - - - - - - - - - Cleveland, Ohio
Assistant Secretary and Assistant Treasurer

REGISTRAR OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

INDEPENDENT AUDITORS — HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 26, 1949. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 4, 1949.

NATIONAL TOOL COMPANY

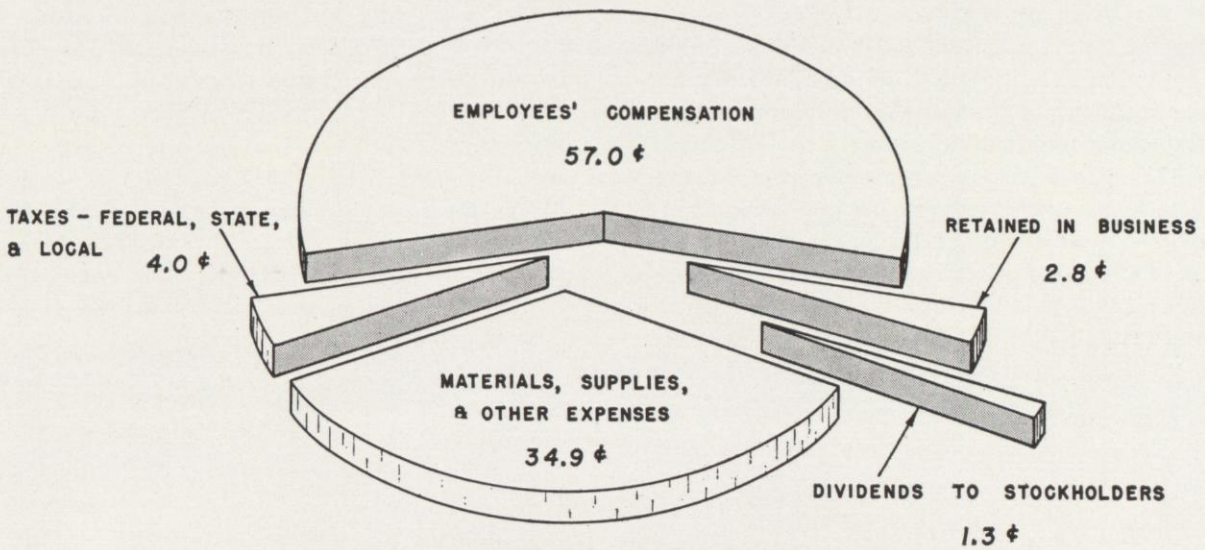
Ten Year Statistical Record

Year Ended Dec. 31	Net Profit or **LOSS** For the Year	Net Profit Per Share	Cash Dividend Per Share of Common Stock	* Average Rate Per Hour — Factory Employees	Net Profit Retained in Business	** Expenditures for Capital Additions and Improvements	Notes Payable and/or Funded Debt	Working Capital
1939	**5,100**	**.03**	-0-	.74	**5,100**	17,699	207,000	113,659
1940	82,620	.40	-0-	.81	82,620	50,601	179,000	182,417
1941	230,708	1.05	25¢	.81	175,901	8,200	120,833	200,905
1942	147,741	.66	30¢	.96	80,428	33,569	648,833	172,677
1943	157,541	.70	35¢	1.04	78,986	37,827	400,000	264,302
1944	115,049	.51	-0-	1.12	115,049	56,550	275,000	299,700
1945	58,420	.26	10¢	1.32	35,973	171,700	250,000	456,237
1946	75,785	.33	15¢	1.33	41,356	181,600	270,000	393,809
1947	97,240	.42	15¢	1.46	62,809	102,705	241,000	401,309
1948	110,154	.48	15¢	1.58	75,715	36,801	60,000	456,444

** The average rate per hour for the years 1939, 1940 and 1941 includes earnings realized from a Volume Bonus Plan. The rate shown for the year 1945 includes earnings realized from a Wage Incentive Plan.*

*** Expenditures for Capital Additions and Improvements do not include $175,167 Emergency Facilities which were fully amortized during the years 1941 to 1945 inclusive.*

BREAKDOWN OF 1948 SALES DOLLAR



ANNUAL REPORT

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

The continued high rate of activity in the metal products industries throughout 1948 created a satisfactory demand during this year for National Tool Company's products — special cutting tools for metal fabrication. These tools, indispensible to most metal working industries, are consumed by resharpening or breakage during the process of metal forming and shaping on machine tools and, therefore, are in constant need of replacement. Accordingly, the activity of National Tool Company is geared closely to the production index of industries such as: Transportation Equipment, Parts, and Accessories; Food and Farm Machinery; Household Equipment and Appliances; Business Machines and Appliances; Metal-Fabricating Machinery; Mining, Oil Well and Power Equipment; Electrical Machinery and Equipment; and General Industrial Equipment.

In many respects the year 1948 showed a continuation of the "cost-price" patterns that started late in 1945 and early in 1946. National Tool Company again experienced increases in the costs of labor, material, supplies and services. Excessive tool-making capacity in the country, and keen, established competition kept our products in a buyer's market. Despite these handicaps, it is believed that during the year, National Tool Company advanced its relative position in the cutting tool industry. Quality cutting tools were supplied to the metal working industries at reasonable prices. This was made possible by the Company's method of manufacture with improved equipment, greater efficiency of the workers, and rigid expense control. The price of National Tool Company's products increased somewhat during the year, but not to the extent occasioned by increased cost factors over which there was no control.

INCOME AND SALES

Net income for the year 1948 was $110,154, a record high for any peace-time year. This amounted to forty-eight cents per share on the 229,591 common shares outstanding at the end of the year, and compares with earnings of forty-two cents per share in 1947. Included in Net Income is a non-recurring item of $13,091 which represents interest earned on the Company's claim for refund of Federal Income and Excess Profits Taxes, which was settled during the year.

In 1948, a cash dividend of fifteen cents per share was paid to the 1126 stockholders. Dividends of like amount were paid in 1947 and 1946.

Net sales for the year were $2,735,617 — about two percent less than sales in 1947. The decrease reflects reduced shipments of machine tools and precision production parts, which are lines supplemental to the principal product — special cutting tools, which increased in volume during the year. Volume remained steady during the last quarter and has continued favorably through the first part of 1949. The backlog of unfilled orders at the end of 1948 was sixty percent larger than at the beginning of the year.

OL COMPANY

E SHEET

31, 1948

LIABILITIES

CURRENT LIABILITIES:		
Notes payable to bank		$ 60,000
Accounts payable:		
Trade		48,469
Other		3,546
Accrued salaries, wages, and commissions		62,013
Accrued real estate and social security taxes		12,759
Accrued Federal income tax		67,500
Miscellaneous accruals		4,554
Total current liabilities		$ 258,841
CAPITAL STOCK AND SURPLUS:		
Common capital stock, $1 par value—authorized, 600,000 shares; issued and outstanding, 229,591 shares — see Note	$ 229,591	
Surplus:		
Paid-in (no change during the year)	136,916	
Earned since January 1, 1940	724,295	
Total capital stock and surplus		1,090,802
TOTAL		$1,349,643

ıed capital stock of the Company are
ı by an officer of the Company until
$5 a share for the first five thousand
the additional five thousand shares.

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNED SURPLUS

For the Year Ended December 31, 1948

GROSS SALES, LESS RETURNS, ALLOWANCES, AND DISCOUNTS	$2,735,617
COST OF GOODS SOLD	2,143,221
GROSS PROFIT FROM SALES	$ 592,396
SELLING, ADMINISTRATIVE, AND GENERAL EXPENSES	439,097
PROFIT FROM OPERATIONS	$ 153,299
OTHER INCOME CREDITS	27,490
GROSS INCOME	$ 180,789
INCOME CHARGES — Interest	5,071
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX	$ 175,718
PROVISION FOR FEDERAL INCOME TAX	65,564
NET INCOME FOR THE YEAR	$ 110,154
EARNED SURPLUS, JANUARY 1, 1948	648,580
Total	$ 758,734
SURPLUS CHARGE — Dividends	34,439
EARNED SURPLUS, DECEMBER 31, 1948	$ 724,295

NOTE: Depreciation expense included in the above statement of income amounts to $63,859.

FINANCIAL POSITION

The financial position of the Company, as set forth in the accompanying Balance Sheet, is the strongest in its history. Working capital amounts to $456,444, an increase of $55,135 during the year, and is the highest ever attained at any year end. The ratio of current assets to current liabilities is almost three to one. The Term Loan Agreement, negotiated with the bank in December of 1945, was liquidated in 1948 with the aid of funds obtained through settlement of the tax refund claim. The bank has extended to us current borrowing privileges which are considered ample for any working capital needs.

The rapid growth of National Tool Company during the past ten years necessitated continual outside financing to obtain funds for working capital purposes. Additional funds were also required to make additions and improvements to manufacturing facilities. Notes payable, which reached a high of $648,833 in 1942, were reduced to $241,000 by the end of 1947, and further reduced to $60,000 by the end of 1948. Notes payable, as of the date of this report, are only $50,000. Expenditures for additions and improvements to plant and equipment have amounted to $550,000 during the past five years. The current replacement value of these capital additions is approximately $887,000, or $3.86 per share of common stock outstanding.

EMPLOYEES

The management is aware that the cooperative spirit and loyalty of the employees during the past year have been prime factors in making the operations of the Company successful. Recognition and appreciation of the wholehearted support of the workers is evidenced by the fact that the average hourly wage of the factory workers has approximately doubled since prewar years. It is the management's belief that the employees of National Tool Company are entitled to wage rates, shift differentials, holiday pay, vacation benefits, etc. in line with those in effect, generally, in comparable industries in the Cleveland industrial area. Accordingly, two general wage increases, together with other increased benefits, were granted to factory employees during the year. Salaried employees, not covered by our labor contract, were granted commensurate adjustments.

LOOKING FORWARD

It is most difficult at this time to forecast accurately the general course of our business during the coming year. A leveling off has certainly occurred in some manufacturing industries but, to date, this has not materially affected our operations or prospects. During 1948, improvements and additions have been made to the sales organization. Sales offices, staffed with competent personnel, are located in all principal industrial centers in the country. This expanded sales force, coupled with improved and extended engineering service, should result in increased contacts, services and orders. High quality production at lower cost can be expected with heightened interest of the workers in labor efficiency, capable and energetic supervision, continued improvement of processes and methods of manufacture, and effective expense control. Intelligent use of these forces should enable National Tool Company to maintain and advance its enviable position as one of the leaders in a highly competitive industry.

FOR THE BOARD OF DIRECTORS,

HARRY W. BARKLEY

President

NATIONAL TO

BALANC

DECEMBER

ASSETS

CURRENT ASSETS:		
Cash		$ 65,329
Accounts receivable:		
Trade	$ 274,494	
Other	8,643	
Total	$ 283,137	
Less reserve for doubtful accounts	4,905	278,232
Inventories — at lower of cost or market:		
Finished goods	$ 28,138	
Goods in process	189,996	
Raw materials and supplies	163,590	
Total	$ 381,724	
Less reserve for loss and obsolescence	10,000	371,724
Total current assets		$ 715,285
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NONCURRENT RECEIVABLES		16,996
PROPERTY, PLANT, AND EQUIPMENT:		
Land ($39,104), buildings, machinery, and equipment (including $175,167 fully amortized emergency facilities)—at cost	$1,109,908	
Less reserve for depreciation and amortization	538,985	570,923
DEFERRED CHARGES:		
Deferred tool expense	$ 46,335	
Other	104	
Total deferred charges		46,439
TOTAL		$1,349,643

NOTE: Ten thousand shares of unissu
subject to a purchase optio
August 1, 1950 at a price of
shares and $6 a share for

NATIONAL TOOL COMPANY

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TERMINAL TOWER
CLEVELAND, 13

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1948 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of the Company at December 31, 1948 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 25, 1949.

Some of the many Types of Tools made
by National Tool Company

SALES OFFICES

D. M. HALLIER
Sales Manager

H. M. MINOR
Assistant Sales Manager

CUTTING TOOLS

AKRON, OHIO
D. G. McMillan

BOSTON, MASSACHUSETTS
Harold L. Henchey

BUFFALO, NEW YORK
Struebing & Buchheit, Inc.

CHARLOTTE, NORTH CAROLINA
Apex Machine Tool Supply

CHICAGO, ILLINOIS
N. W. Dorr Co.

CLEVELAND, OHIO
G. W. Davis
J. W. McIntyre

DAYTON, OHIO
R. B. Nuckols

DENVER, COLORADO
Silver Engineering Works, Inc.

DETROIT, MICHIGAN
E. G. Hardig

ERIE, PENNSYLVANIA
Edward Weingard

FORT WAYNE, INDIANA
George O. Desautels Co.

HARTFORD, CONNECTICUT
The A. R. Shevlin Co.

HOUSTON, TEXAS
R. E. Schuller

INDIANAPOLIS, INDIANA
George O. Desautels Co.

KANSAS CITY, MISSOURI
Langdon Supply Co.

LANSING, MICHIGAN
E. G. Hardig

LOS ANGELES, CALIFORNIA
Burgan Machinery Co.

MEMPHIS, TENNESSEE
Bud Watts Machinery Co.

MILWAUKEE, WISCONSIN
W. H. Foster Engineering Co.

MUNCIE, INDIANA
George O. Desautels Co.

MINNEAPOLIS, MINNESOTA
Walter R. Hammond Co.

MOLINE, ILLINOIS
John J. Normoyle Co.

NEWARK, NEW JERSEY
H. Wilson Ryno

OMAHA, NEBRASKA
McDonough Machinery & Supply Co.

PHILADELPHIA, PENNSYLVANIA
Otto Wilhelmy & Son

PITTSBURGH, PENNSYLVANIA
Chester S. Fischer Co.

SAN FRANCISCO, CALIFORNIA
Allen-O'Neill Associates

ST. LOUIS, MISSOURI
Ben H. Gerker

SYRACUSE, NEW YORK
Austin Ford Logan

SAGINAW, MICHIGAN
E. G. Hardig

TOLEDO, OHIO
Fred C. Ahrendt

EXPORT AGENTS

A.V.E. TRADING CORP. OF NEW YORK, NEW YORK
Belgium, Switzerland, Italy, France

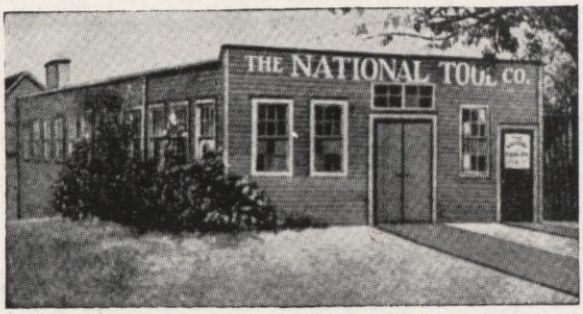
CANADA
Rudel Machinery Co. Ltd.
Offices in Montreal, Toronto, Vancouver and Windsor

PRECISION PRODUCTION PARTS

FORT WAYNE, INDIANA
W. E. McGahey

PHILADELPHIA, PENNSYLVANIA
Towle & Son Co.

FROM A SMALL BEGINNING



Forty-four years ago, in a barn on Madison Avenue, Edward A. Noll founded the National Tool Company. His equipment was meager, but his technical skill was great and his vision was broad and practical. He knew that metal-cutting tools, made to order, would become ever more important to American industry.

From the small beginning in the barn-factory, the little organization grew to become the largest company which devotes substantially its entire energies to the manufacture of special cutting tools.

The present plant on Madison Avenue at West 112th Street covers a large area and makes an imposing appearance. However, the Company's chief pride is in its efficient working family and the specialized machinery with which it produces metal-cutting tools known for precision and reliability.